

1. Repayment to DRC of \$250,000 option fee paid to the Seller for the benefit of the Partnership and \$ 1,940,000 loaned to the Partnership to pay part of the cash position of the purchase price to the seller, in addition to the second and third installments of equity to the seller.
2. An amount paid to the seller of the Property for interest at 15% on the \$900,000 deferred installments
3. Estimated legal fees, of which it is anticipated that \$29,500 will be attributable to syndication expenses, \$12,500 for organizational costs, \$25,000 for real estate documents and the remaining amount for tax and financial advice.
4. It is estimated that \$2,000 of the accounting fees will be for services in connection with the organisation of the Partnership and the remaining \$6,000 will be for tax planning.
5. Approximately \$1,000 will be paid for engineering studies and recommendations as to the condition of the Property. \$4,000 has been paid for an engineering study for tax and financial planning.
6. The approximate cost of an M.A.I. Appraisal of the market value of the Property.
7. The estimated fees and taxes payable to the States of Texas for transferring ownership of the Property.
8. This amount will be paid as fees to the General Partners.
9. An amount estimated to cover capital improvements and repairs to be made to the Property as well as funding a continuing Renovation Reserve.

It is an objective of the Partnership to hold the property for long term capital appreciation. However, to illustrate the potential effects of a sale of the Property, it is assumed below that the Property is sold for cash and the Partnership is dissolved as of December 31, 1988. The potential sale is illustrated below:

Under this illustration it is assumed that the sales price for the Property will be \$15,615,714 an amount estimated by capitalizing projected net operating income for 1989 at 10.5%. Such sales price also represents an average annual increase in market value of the Property of approximately 8.2% over the assumed 7½ year holding period.

The net proceeds of distribution from such sale would be as follows:-

Gross Sales Price	\$ 15,615,714
Less:	
Principal balance of Mortgage Debt and Accrued Interest.	8,386,779
Estimated Expenses of Sale	468,471
	<u>\$ 6,760,464</u>

Distribution of Net Proceeds:

(i) Return of Capital contribution	
to :	
BINLADIN	\$ 3,300,000
DANIEL	825,000
TOTAL	<u>\$ 4,125,000</u>

(ii) Balance to:

BINLADIN	
(70%)*	\$ 1,844,825
DANIEL	
(30%)*	790.639
TOTAL	<u>\$ 6,760,464</u>

Summary Totals

To: BINLADIN	\$ 5,144,825
To: DANIEL	<u>1,615,639</u>
TOTAL:	\$ 6,760,464

- \* Actual distribution will be made in accordance with capital accounts after giving effect to priority distributions. As is illustrated below the capital accounts in this example will be in a 70%/30% ratio.
- \*\* As this assumption represents a distress sale of the Property, expenses of sale are assumed to be provided for in the sales price.

TAXABLE GAIN ON POTENTIAL SALE AND LIQUIDATION

Upon sale of the Property and the liquidation of the Partnership as illustrated on F-14 Binladin would realize and recognise the respective gains shown below. The gain is illustrated as gain from the sale of a capital asset. However, a small portion of the gain resulting from the sale of the Property will be characterized as ordinary income to the extent it results from the sale of the Partnership's personal property.

Gross Sales Price	\$15,615,714
Less:	
Estimated Expenses on Sale	<u>468,471</u>
Adjusted Sales Price	\$15,147,243
Tax Basis	<u>5,943,557</u>
TOTAL Taxable Gain	<u>\$ 9,203,686</u>

## Allocation:

To Partners -an amount to eliminate deficits in capital accounts after giving effect to return of capital contribution.

BINLADIN	\$ 3,347,893
DANIEL	<u>3,220,329</u>
TOTAL	\$ 6,568,222
Remainder	\$ 2,635,464

Allocated as follows:

70% to BINLADIN	\$ 1,844,825
30% to DANIEL	<u>790,639</u>
TOTAL	<u>\$ 2,635,464</u>

Summary Totals:

To: BINALDIN

Capital Gains Portion	\$ 4,577,393
Ordinary Portion	<u>615,325</u>
TOTAL	<u>\$ 5,192,718</u>

To: DANIEL

Capital Gains Portion	\$ 3,535,678
Ordinary Portion	<u>475,290</u>
TOTAL	<u>\$ 4,010,968</u>